

# **Support Services Review Template**

Update Year: 2012

Unit Name: Office of Internal Audit

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## **Five Fundamental Questions**

1. What are the primary services or outcomes provided by the support service area and what is the impact of those services and outcomes on students and other key stakeholders?

Definition: The Office of Internal Audit (OIA) is an independent appraisal function established within the organization to examine and evaluate activities as a service to the management. It is a managerial control, which functions by measuring and evaluating the effectiveness of other controls.

Mission: The mission of OIA is to provide independent objective assurance and consulting services designed to add value and improve the College's operations. The OIA assists the President of the College in the effective discharge of his/her duties by furnishing objective analyses, appraisals, and recommendations related to the activities reviewed. The OIA also helps the College accomplish its objectives by bringing systematic disciplined approach to evaluate and improve the effectiveness of Risk Management, Internal Controls environment, and Governance processes.

Scope of work: The scope of work of the OIA is to determine whether the organization network of risk management, internal controls, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure that:

- Risks are appropriately defined and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, rules, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and appropriately addressed.
- Opportunities for improving management control, efficiency, and the organization's image.

Type of audits: The type of audits the OIA conducts

Financial Audits address questions of accounting and reporting of financial transactions, including commitments, authorizations, and receipt and disbursement of funds. The purpose is to verify that there are sufficient controls over cash and cash-like assets and that there are adequate processes controls over the acquisition and use of resources.

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Compliance Audits determine the degree of a unit's adherence to laws, regulations, policies, and procedures. Recommendations often call for improvements in processes and controls intended to ensure compliance with regulations and College's policies.

Information Systems (IS) Audits address the internal control environment of automated information processing systems and how people use those systems. IS audits typically evaluate system input, output, processing controls, backup and recovery plans, system security, and computer facility reviews. IS auditing projects can focus on existing systems as well as systems in the development stage. External specialized expertise may be required to conduct specialized IS audits.

Operational Audits, sometimes called program or performance audits, examine the use of unit resources to evaluate whether those resources are being used in the most efficient and effective ways to fulfill the unit's mission and objectives. An operational audit includes elements of a compliance audit, a financial audit, and an IS audit.

Administrative Internal Control Reviews focus on the departmental level activities that are components of the College's major business activities. Areas such as payroll and benefits, cash handling, inventory and equipment and their physical security, grants and contracts, and financial reporting are usually subject to review.

Investigative Audits are performed when appropriate. These audits focus on alleged civil or criminal violations of State or Federal laws or violations of College's policies and procedures that may result in prosecution or disciplinary action. Internal theft, misuse of College's assets, and conflicts of interest are examples of reasons for investigative audits.

## **2. What are the strengths, weaknesses, opportunities, and threats present that enhance or hinder the unit's ability to provide those services and meet expected outcomes during the next five years?**

In an effort to meet its stakeholders' expectations in the wake of the College growth and increasing demands, the OIA identified the following SWOT to guide its future activities.

1. Influence a culture of governance, risk management, and internal controls.
  - 1.1 Launch new initiatives to promote excellence and impact a culture change through partnership and collaborative structure
  - 1.2 Commitment to the mission and role of the OIA.
  - 1.3 Connectivity of strategies and strategic risks to core processes.
  - 1.4 Drawing attention to areas of interest, and gaining commitment to react to sector and market changes, trends, and best practices.

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2. Sustain a high quality OIA that is widely recognized and adapts to its stakeholders' developing needs.

2.1 Demonstrate a well led, managed, and governed Internal Audit Activity, and sustain intellectual, economic, social and environmental development

2.2 Gap between clients' expectations and capability to deliver.

2.3 Limited resources in the face of challenging engagements.

The Office of Internal Audit recognizes that the risk population the identified SWOT present, is too broad and complex to be fully managed solely from the OIA leadership suite. The OIA used its systematic and disciplined risk management model to:

- 1- Identify potential events or risk contributing factors that their occurrence may beneficially or adversely affect its ability to achieve its objectives
- 2- Verify if its risk tolerance is within the College's risk appetite
- 3- Highlight areas of "High-Impact, High-Probability" and assess the efficiency of the existing internal controls structure mitigating these risks

The OIA risk management model provided a thorough vulnerability chart showing both the scale and nature of the risks its strategies and support strategies present (details about the OIA risk management model are disclosed in Exhibit A attached).

A vulnerability chart does not necessarily lead to the conclusion that one risk is more or less severe than the others are. It indicates however that the risk's contributing factors are in themselves higher risk than the others are. In addition, different people have different risk strategies, and the degree of risk vulnerability and exposure varies from one department to another and from one person to another.

**3. Using the answers to the first two questions, what improvements to primary services and/or intended outcomes will occur during the next five years?**

The OIA developed a strategic plan to guide its activities over the next 5 – 10 years. The purpose of the strategic plan is to assist with establishing OIA priorities, better respond to the College and stakeholders' growing needs, and to create an accountability framework.

The implementation of the strategic plan requires pulling each strategic goal apart and diffusing it over multiple short-term business plans. An effective and efficient implementation of the strategic plan requires collaborative and participative initiatives involving OIA staff members, stakeholders and College constituencies, where all involved must function as a whole and accept the plan, agree to its direction, and implement specific actions required from them.

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The strategic plan also presents multiple risks and challenges where audit engagements need to be conducted within a supportive learning culture nurtured by a relatively flat organizational structure where there is high respect for individual needs, opinions, and diversity.

To achieve its long-term objectives, OIA is committed to the following support strategies:

1- Launch new initiatives to promote excellence and influence a culture change through partnerships and collaborative structures.

2- Learn management's areas of interests, future needs and initiatives.

3- Widen the range of OIA's long-term learning goals and opportunities; stimulate and sustain new sources and methods of participation to influence knowledge and skills to improve overall efficiency, and continuously support the development of people and the institutional culture.

4- Influence management commitment and buy-in by linking strategies and strategic risks to core processes, and by investing in flexible, creative, and collaborative partnerships, communication, and wider participation.

5- Demonstrate a well-led, managed and governed OIA, and sustain intellectual, economic, social, and environmental development.

6- Place greater reliance on accountability, self-evaluation, customer satisfaction, collaborative and participative relationships, independence, objectivity, professionalism, integrity, and sustain professional and ethical standards.

7- Explore and redefine its resources in the face of more challenging engagements and identify the full economic cost of its activities. This requires:

- a- Improve productivity, innovation, and use of technologies.
- b- Promote skilled expertise and efficient methods across the full range of services.
- c- Focus on professional strengths, which will require investing in some activities and withdrawing from others
- d- Support the development of people and institutional culture.
- e- Promote the importance of ethics and ethical values in the workplace.
- f- Comply with regulations and College's policies, rules and procedures.
- g- Support quality self-assessment and accountability.

8- Invest in OIA's physical and human capital infrastructure, while such investment has been very modest over the past few years.

9- Recognize the importance of good quality facilities, equipment and information technology, and skilled staff members to support its operations. Alternative funding has helped to address past under-investment, and there is undisputed evidence that it has had a positive impact on the morale of its staff.

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4. How will the unit measure the extent to which planned improvements have resulted in better service or intended outcomes for students or other key stakeholders?

Primary Service Issue	Improvement	Measure	Baseline	Target	Current

5. How will the planned improvements align with and contribute to the Mission and Intended Outcomes of Austin Community College?

<b>Performance Measures–Influence a culture of governance, risk management, and controls</b>
Percent increase in output per employee
Percent of errors in reliability projections
Percent of appraisals performed/completed (Risk Management plan)
Percent of delinquent suggestions
Number of decisions made by higher-level management than required by procedures
Volume actual versus planned
Percent of employees active in improvement teams
Percent of employees with development plans and job improvement ideas
Percent objective achieved over strategic period
Percent of cost saved over strategic period
Result of peer reviews
Percent variation from budget
Percent personnel turnover rate
Percent of output delivered on schedule
Percent of improvement in early detection of major design errors
Percent of errors detected and corrected
Number of formal reviews before plans are approved
Number of iterations of strategic plan
Opinion survey ratings
Percent error in predicting customer performance
Management evaluation of managers/employees education courses
Volume and quality of hours of career and skill development per employee

<b>Performance Measurements-Sustain a high quality OIA that is widely recognized and adapts to its stakeholders' developing needs</b>
Percent target dates missed
Percent increase in output
Percent error in planning estimates
Percent complex vs. routine engagements
Number of tactics and methods improvement
Percent appraisals completed
Percent improvement in customer satisfaction and opinion survey ratings
Percent actual vs. planned
Percent objectives achieved over strategic period
Percent cost saved over strategic period
Result of peer reviews
Percent variation from budget
Percent output delivered on schedule
Percent errors and problems detected and corrected
Percent processes and procedures analyzed
Percent formal reviews before plans are approved
Volume hours of career and skill development
Percent late reports
Percent request for legal opinion
Volume approved and implemented recommendations
Percent deviation to resource plan
Percent evaluation of education courses
Volume audits engagement scheduled and completed
Percent problems identified in the field
Percent reports published on schedule
Percent field returns correctly analyzed
Percent correlated test results
Number corrective action being processed
Percent product that meets customer expectations
Percent errors in predicting customer needs/expectations